

FIFTH DAY.

Senate Chamber,
Austin, Texas,

Tuesday, September 29, 1914.

The Senate met pursuant to adjournment, and was called to order by President Pro Tem. Morrow.

Roll call, a quorum being present, the following Senators answering to their names:

Astin.	McGregor.
Bailey of Harris.	McNealus.
Collins.	Morrow.
Conner.	Real.
Cowell.	Taylor.
Darwin.	Terrell.
Gibson.	Townsend.
Greer.	Watson.
Hall.	Westbrook.
Hudspeth.	Wiley.
Lattimore.	Willacy.

Absent.

Brelsford.	Henderson.
Carter.	Johnson.
Clark.	Nugent.
Harley.	Warren.

Absent—Excused.

Bailey of DeWitt.

Prayer by the Chaplain.

Pending the reading of the Journal of yesterday, the same was dispensed with on motion of Senator Terrell.

EXCUSED.

Pending several motions to excuse absentees on last Saturday, Sunday and yesterday, Senator Taylor moved that all absentees on those days be excused, which motion prevailed.

Senator Hall moved that Senator Bailey of DeWitt be excused from attendance indefinitely on account of important business.

The motion prevailed.

On motion of Senator Collins, Senator Carter was excused indefinitely, on account of important business.

Here a messenger from the Governor's office appeared at the bar of the Senate and presented a communication from the Governor.

PETITIONS AND MEMORIALS.

Senator McGregor presented a pe-

tition from Fort Bend county, numerously signed, and pending the reading of same, Senator Collins moved that the further reading of same be dispensed with.

Senator Watson made the point of order that the Constitution accorded the right of the people to be heard by petition, and that the motion to suspend the reading was out of order.

The Chair overruled the point of order, holding that the matter before the Senate could be disposed with by the body.

Action recurred on the motion to dispense with the further reading of the petition, and,

Senator Willacy moved as a substitute, that the petition be referred to Judiciary Committee No. 1, the committee to which "The Bank of Texas" bill was referred and upon which subject the petition dealt with.

Pending discussion Senator Collins withdrew his motion to dispense with the reading of same and the motion by Senator Willacy was declared out of order.

Senator McNealus moved that the further reading of the communication be dispensed with.

Senator Wiley made the point of order that it would be out of order, under Section 27 of Article 1 of the Constitution, to dispense with the reading of the petition.

The Chair overruled the point of order, holding that it would not be an infringement on the Constitution and that the Senate could do as it desired to with a petition.

BILLS AND RESOLUTIONS.

By Senator Willacy:

S. B. No. 2, A bill to be entitled "An Act, making appropriation to pay the per diem of members, officers and employes of the Third Called Session of the Thirty-third Legislature of the State of Texas, convened September 23, 1914, by proclamation of the Governor; providing how accounts may be approved, and declaring an emergency."

Read first time and referred to Finance Committee.

By Senator Willacy:

S. B. No. 3, A bill to be entitled "An Act, making appropriation of the sum of twelve thousand dollars or so much thereof as may be necessary, to

pay the contingent expenses of the Third Called Session of the Thirty-third Legislature of the State of Texas, convened September 23, 1914, by the proclamation of the Governor, providing how accounts may be approved, and declaring an emergency."

Read first time and referred to Finance Committee.

SIMPLE RESOLUTION.

(By Unanimous Consent.)

By Senators Watson and Collins:

Whereas, The Hon. W. P. Hobby, Democratic nominee for Lieutenant Governor, is now in the city; therefore be it

Resolved by the Senate, That he be invited to address the Senate and be accorded the privileges of the floor.

The resolution was read and adopted and Senators Collins, Watson and Terrell were appointed to escort Mr. Hobby to the President's stand, whereupon he addressed the Senate briefly.

SIMPLE RESOLUTION.

By Senator Lattimore:

Resolved, That the Senate of Texas present to Hon. W. P. Hobby, Democratic nominee for Lieutenant Governor of this State, a copy of the Legislative Manual of 1913, to the end that he may familiarize himself in advance with the rules and precedents of the body over which he is to preside.

LATTIMORE,
COWELL.

The resolution was read and adopted.

PETITIONS AND MEMORIALS.

The motion to dispense with the further reading of the petition by Senator McGregor was lost by the following vote:

Yeas—7.

Collins.	Taylor.
Conner.	Watson.
McNealus.	Willacy.
Real.	

Nays—14.

Astin.	Lattimore.
Bailey of Harris.	McGregor.
Cowell.	Morrow.
Darwin.	Terrell.
Gibson.	Townsend.
Greer.	Westbrook.
Hall.	Wiley.

Absent.

Brelsford.	Hudspeth.
Clark.	Johnson.
Harley.	Nugent.
Henderson.	Warren.

Absent—Excused.

Bailey of DeWitt. Carter.

The reading of the petition was completed.

Pending the further call for petitions and memorials, Senator McNealus called for a second reading of the petition by Senator McGregor.

SENATE BILL NO. 2.

(By Unanimous Consent.)

Senator Willacy called up Senate bill No. 2, and,

On motion of Senator Willacy, the constitutional rule requiring bills to be read on three several days was suspended and the bill put on its second reading by the following vote:

Yeas—22.

Astin.	McGregor.
Bailey of Harris.	McNealus.
Collins.	Morrow.
Conner.	Real.
Cowell.	Taylor.
Darwin.	Terrell.
Gibson.	Townsend.
Greer.	Watson.
Hall.	Westbrook.
Hudspeth.	Wiley.
Lattimore.	Willacy.

Absent.

Brelsford.	Johnson.
Clark.	Nugent.
Harley.	Warren.
Henderson.	

Absent—Excused.

Bailey of DeWitt. Carter.

On motion of Senator Willacy the Senate rule requiring committee reports to lie over for one day was suspended by the following vote (see Appendix for the committee report):

Yeas—22.

Astin.	Darwin.
Bailey of Harris.	Gibson.
Collins.	Greer.
Conner.	Hall.
Cowell.	Hudspeth.

Lattimore.
McGregor.
McNealus.
Morrow.
Real.
Taylor.

Terrell.
Townsend.
Watson.
Westbrook.
Wiley.
Willacy.

Absent.

Brelsford.
Clark.
Harley.
Henderson.

Johnson.
Nugent.
Warren.

Absent—Excused.

Bailey of DeWitt. Carter.

The committee report was adopted.

The Chair laid before the Senate on second reading,

S. B. No. 2, A bill to be entitled "An Act making appropriation to pay the per diem of members, officers and employes of the Third Called Session of the Thirty-third Legislature of the State of Texas, convened September 23, 1914, by proclamation of the Governor; providing how accounts may be approved, and declaring an emergency."

The bill was read second time and ordered engrossed.

On motion of Senator Willacy the constitutional rule requiring bills to be read on three several days was suspended and the bill put on its third reading and final passage by the following vote:

Yeas—22.

Astin.
Bailey of Harris.
Collins.
Conner.
Cowell.
Darwin.
Gibson.
Greer.
Hall.
Hudspeth.
Lattimore.

McGregor.
McNealus.
Morrow.
Real.
Taylor.
Terrell.
Townsend.
Watson.
Westbrook.
Wiley.
Willacy.

Absent.

Brelsford.
Clark.
Harley.
Henderson.

Johnson.
Nugent.
Warren.

Absent—Excused.

Bailey of DeWitt. Carter.

The bill was read third time and passed by the following vote:

Yeas—22.

Astin. Bailey of Harris.

Collins.
Conner.
Cowell.
Darwin.
Gibson.
Greer.
Hall.
Hudspeth.
Lattimore.
McGregor.

McNealus.
Morrow.
Real.
Taylor.
Terrell.
Townsend.
Watson.
Westbrook.
Wiley.
Willacy.

Absent.

Brelsford.
Clark.
Harley.
Henderson.

Johnson.
Nugent.
Warren.

Absent—Excused.

Bailey of DeWitt. Carter.

Senator Willacy moved to reconsider the vote by which the bill was passed and lay that motion on the table.

The motion to table prevailed.

SENATE BILL NO. 3.

(By Unanimous Consent.)

Senator Willacy called up Senate bill No. 3, and,

On motion of Senator Willacy the constitutional rule requiring bills to be read on three several days was suspended and the bill put on its second reading by the following vote:

Yeas—22.

Astin.
Bailey of Harris.
Collins.
Conner.
Cowell.
Darwin.
Gibson.
Greer.
Hall.
Hudspeth.
Lattimore.

McGregor.
McNealus.
Morrow.
Real.
Taylor.
Terrell.
Townsend.
Watson.
Westbrook.
Wiley.
Willacy.

Absent.

Brelsford.
Clark.
Harley.
Henderson.

Johnson.
Nugent.
Warren.

Absent—Excused.

Bailey of DeWitt. Carter.

On motion of Senator Willacy the Senate rule requiring committee reports to lie over for one day was suspended by the following vote (see Appendix for the committee report):

Yeas—22.

Astin.	McGregor.
Bailey.	McNealus.
Collins.	Morrow.
Conner.	Real.
Cowell.	Taylor.
Darwin.	Terrell.
Gibson.	Townsend.
Greer.	Watson.
Hall.	Westbrook.
Hudspeth.	Wiley.
Lattimore.	Willacy.

Absent.

Brelsford.	Johnson.
Clark.	Nugent.
Harley.	Warren.
Henderson.	

Absent—Excused.

Bailey of DeWitt. Carter.

The committee report was adopted.

The Chair laid before the Senate on second reading,

S. B. No. 3, A bill to be entitled "An Act making appropriation of the sum of twelve thousand dollars or so much thereof as may be necessary to pay the contingent expenses of the Third Called Session of the Thirty-third Legislature of the State of Texas, convened September 23, 1914, by the proclamation of the Governor; providing how accounts may be approved, and declaring an emergency."

The bill was read second time and ordered engrossed.

On motion of Senator Willacy the constitutional rule requiring bills to be read on three several days was suspended and the bill put on its third reading and final passage by the following vote:

Yeas—22.

Astin.	McGregor.
Bailey of Harris.	McNealus.
Collins.	Morrow.
Conner.	Real.
Cowell.	Taylor.
Darwin.	Terrell.
Gibson.	Townsend.
Greer.	Watson.
Hall.	Westbrook.
Hudspeth.	Wiley.
Lattimore.	Willacy.

Absent.

Brelsford.	Johnson.
Clark.	Nugent.
Harley.	Warren.
Henderson.	

Absent—Excused.

Bailey of DeWitt. Carter.

The bill was read third time and passed by the following vote:

Yeas—22.

Astin.	McGregor.
Bailey of Harris.	McNealus.
Collins.	Morrow.
Conner.	Real.
Cowell.	Taylor.
Darwin.	Terrell.
Gibson.	Townsend.
Greer.	Watson.
Hall.	Westbrook.
Hudspeth.	Wiley.
Lattimore.	Willacy.

Absent.

Brelsford.	Johnson.
Clark.	Nugent.
Harley.	Warren.
Henderson.	

Absent—Excused.

Bailey of DeWitt. Carter.

Senator Willacy moved to reconsider the vote by which the bill was passed and lay that motion on the table.

The motion to table prevailed.

PETITIONS AND MEMORIALS.

Senator Astin here presented a petition, numerously signed by citizens of Bryan, protesting against the passage of the Bank bill.

Senator Astin moved that the petition be printed in full in the Journal.

Senator Wiley made the point of order that the Senate rule required a brief statement of all petitions be printed in the Journal and that that rule would have to be first suspended and the Chair sustained the point of order.

Senator Astin moved to suspend the Senate rule relating to the printing of petitions and memorials.

Senator Cowell moved to table the motion to suspend the Senate rule, which motion to table was adopted.

SENATE CONCURRENT RESOLUTION
NO. 1.

By Senator Terrell:

Whereas, The Thirty-third Legislature was convened in extraordinary session

by proclamation of the Governor on August 24, 1914, for the specific purpose of enacting an emergency warehouse law, and the passage of a permanent warehouse bill, both measures being destined to assist the cotton producer of Texas, and

Whereas, The Second Called Session of the Legislature, in obedience to the call of the Governor, enacted both of the above measures and adjourned sine die on September 22, 1914, and

Whereas, His Excellency, Governor O. B. Colquitt, issued a proclamation immediately convening the Thirty-third Legislature in extraordinary session for the third time and submitted for its consideration the establishment of a great central bank to be known as "The Bank of Texas," the capital stock of which is to be derived largely from funds to be secured by pledging the bonds now held by the school fund of Texas in the amount of something over \$17,000,000; and

Whereas, This is such a radical departure from the well established policy of the State as to demand, both from the people and their representatives, calm, cool and deliberate thoughts, which would preclude the passage of such a bill at this time; therefore, be it

Resolved by the Senate, the House of Representatives concurring, That the Third Called Session of the Thirty-third Legislature stand adjourned sine die Wednesday, September 30, at 12 o'clock noon.

LATTIMORE,
TERRELL.

The resolution was read and Senator Collins moved that it be laid on the table subject to call, and

Senator Watson moved, as a substitute, that the resolution be referred to the Committee on Rules.

RECESS.

On motion of Senator Conner, the Senate, at 12:33 o'clock p. m. recessed until 2:30 o'clock today.

AFTER RECESS.

(Afternoon Session.)

The Senate was called to order by President Pro Tem. Morrow.

SENATE CONCURRENT RESOLUTION NO. 1.

Action recurred on the pending business, S. C. R. No. 1, the question being on motion to refer the resolution to Committee on Rules.

By unanimous consent the further consideration of the resolution was postponed until tomorrow morning, after the conclusion of the morning call.

Morning call concluded.

MESSAGE FROM THE GOVERNOR.

The Chair laid before the Senate, and which was read, the following message from the Governor:

Governor's Office,

Austin, Texas, September 29, 1914.

To the Senate and House of Representatives:

In a message to the Second Called Session of the Thirty-third Legislature, I presented to you on September 15th the subject of organizing The Bank of Texas for the purpose explained in my message of that date. I have again convened you in extra session for the further consideration of this subject and other important matters which may be subsequently presented to you for the protection of the credit of our people and to prevent the sale of their products and property at sacrificing prices to enforce the payment of debts.

Inherent Rights.

The declaration of our Bill of Rights that "All political power is inherent in the people, and all free governments are founded on their authority and instituted for their benefit," is peculiarly pertinent just at this time. Our government, both national and State, has instituted means and agencies through which the banking business of the country is done. But these agencies, both national and State, are either unable or disinclined to meet, in the the fullest sense, the needs of the situation. Hence, the people are looking to you, their representatives, to find some way of financial relief and protection to them. This is their hour of depression. The State government has been established by their authority, and a portion of the State government's authority has been invested in a system of banks. The government has been instituted for the people's benefit, and a portion of this benefit has been conferred upon cor-

porations with banking powers. What is here said with reference to State banks applies with accelerated force to national banks.

Weakness of System.

More than ten days ago I called attention to the fact that notwithstanding the increased volume of currency issued to the national banks under the emergency currency acts of Congress, these banks were not responding with this currency to the requirements of trade and industry, and inducing the active movement of cotton and other commerce. This statement of mine was vehemently criticized, but for the last several days the Secretary of the Treasury has likewise called attention to these facts, and served notice upon banking institutions under his supervision that unless relief was afforded by them to the people, and this currency loaned at reasonable rates of interest for investment in agricultural products, and for the carrying on of trade in its usual course, that he would withdraw currency so issued or money on deposit with banks for the purpose of relieving financial stringency.

The Secretary of the Treasury points out that there is plenty of money in the country which, if the banks themselves would have confidence and inspire it in others and put the money in circulation, would freely move commerce, and business would assume something like normal conditions. Without so intending it, the observations of the Secretary of the Treasury and his threats to punish those who use the privileges granted them by the government for their corporate protection, are a terrific arraignment of the present banking and currency system in our country.

Like an Army Wasting Values.

The armies of warring nations are laying waste the countries of Europe and exhausting their resources. The inefficiency of our banking and currency system and the policy of the banks which control the money supply, is laying waste the values of the products of our fields and farms.

Shall we, the servants of the people of this great commonwealth, pass the cries for relief unheeded? We are confronted with a condition, and shall we not strive to meet and solve it? With millions of produce and matured values at our very door, the country literally

flowing with milk and honey, we hear of the producers of those values living on cornbread, potatoes and milk, while laboring in the fields gathering their abundant harvests, the values of which are wasting away in the face of the hoarded millions by the very agencies which the government has created and which control the circulation of the medium of exchange—the people's money.

The Huns and Vandals who ravaged the Roman Empire and destroyed her supremacy and prosperity, came from without. But the forces which are destroying the values of our farm products come from within our own banking and currency system. The war in Europe may be the cause for lack of markets, but the controllers of our money system have done nothing, and are doing nothing to overcome this cause by lending money or extending credit to increase the value of cotton. On the contrary, they are like an army attacking and destroying it by withholding faith and credit. The tagged bales of cotton bought under the "buy-a-bale" movement, and displayed upon the streets and public places, are mute witnesses to the failure of the banking system which permits the control and hoarding of the people's own money to their undoing and business destruction.

The Seat of Trouble.

This criticism is not meant to apply locally or to individual banks in Texas, but to the system under which they are working and which forces them as a matter of "self preservation" to protect themselves. The Secretary of the Treasury says Texas banks as well as banks in other States, have been hoarding currency. This is undoubtedly true. But a "burnt child dreads fire" and the national banks as well as the State banks in Texas vividly recall the "bank panic" of 1907 when they had, it was said then, nearly one hundred million dollars on deposit with banks in New York, Chicago, St. Louis and Kansas City. The "bank panic" started in New York and quickly spread to the banks in all the so-called central reserve cities. The banks of Texas were freely advancing money on cotton to its full value and almost like the stopping of a clock, the tick of coin over the bank counters ceased. Why? Because banks holding the money of Texas banks in New York and other reserve cities refused to let them draw the money out and use it in paying for cotton, for the

simple reason that the banks in New York had loaned Texas money to stock speculators on Wall Street and there was not enough money in New York, notwithstanding the enormous balances Texas banks and the banks of other States had there, to sustain the gigantic speculative deals in Wall Street; not enough to sustain the enormous inflation of stock values by which individual leaders of "big business" expected to make millions. The government deposited millions with the banks of New York, taking the money from the United States Treasury, to sustain the crumbling values of watered stocks and bonds; the banks of New York, through the clearing house system, quit paying out money to depositors and issued clearing house certificates and these certificates were used as a medium of exchange in settling balances between themselves.

Prostrate and Helpless.

No money could be drawn out of New York banks, although Texas banks had millions there and with other reserve banks in financial centers. The banks in Texas as a result, had to follow the example of New York and "put the lid on" their individual and bank deposits. It was but a short time until the "bank panic" was complete and extended to every State and county in the Union. This was one of the results of the system, and each individual bank rushed to cover for its own protection. The "reserves" of the several banks composing the system could not be used because they could not be reached—they were deposited beyond their control and their base of supply was in a panic. As a result cotton tumbled in value more than ten dollars a bale, purely as a result of this panic and not because of market conditions. The banks right here in grand old Texas would not allow you to draw out your money, or cash your check, for more than twenty dollars, or at least for but a very small percentage of your balances with them. There had been a perfect flood of money into the banks and those in this State were discounting the paper of big northern corporations at a very low rate of interest. Suddenly, like a clap of thunder out of a clear sky, there was no money to be had either for "love or high rates of interest." The banking and currency system was prostrate and helpless. The system sallies forth panoplied with all its armor and influence to fight any movement to correct its weak-

ness, but at the appearance of an approaching storm it slinks away and hides itself for self protection and leaves the people, and their commerce, prostrate and helpless, and at the mercy of the storm of adversity which the banks themselves bring about.

A Giant of Inertness.

You, gentlemen of the Legislature, will recall as I do, I am sure, how the banks in 1907 refused to cash each other's checks, so completely had confidence in one another's responsibility been destroyed, almost in the "twinkling of an eye." Individuals away from home would have to hunt up some friend and ask as a personal favor the cashing of a small check with which to pay hotel bills and purchase railroad tickets to their residences. How this fact is recalled by the "buy-a-bale" movement of the banks now to shift attention from their utter inability to meet the financial needs in an hour like this! The bank is incorporated by the government, and a part of the government's powers are conferred upon it, in order that the bank itself should carry these public burdens. Instead they seek to shift it to individual shoulders.

Thus we behold the "great banking system," so-called, in 1907, and now, that combats any suggestion of a change for the public protection, writhing in despair and helplessness, and as inert as the Giant Philistine was at the feet of David.

Self preservation is one of the laws of selfish human nature, and with the banks of Texas more or less dependent for credit upon the big banks in New York where they have to go to borrow money to move the crops, and where they keep big balances to give them credit, with the experience of 1907 fresh in their memories, they can not be altogether blamed for taking steps to protect themselves against a repetition of their experience.

For Public Protection.

The government—State and national—charters banks for a public purpose, albeit they are organized for private profit. As already stated, such corporations exercise functions which the government itself might perform.

Banks as such are not organized with any hope of making profit upon their capital stock except by the use of money of depositors who place it with them for safe keeping. The use of these deposits,

which are a liability and an asset of the bank, money is infused through business and the base of exchange is active; changes hands frequently, the same piece of currency being used as the medium of exchange many times. No bank would expect to even make expenses on its capital stock, and if it were not for the hope of profitably handling deposited money by becoming responsible for its safe keeping and return, no banks would be organized.

This being true, the public have an interest in the management and control of banks and the government has taken supervision over them for the public protection. But this protection falls short of the public needs in that the requirements by the government of the banks is not sufficient.

Central Reserve Needed.

If the national banking laws required all the national banks of the United States to keep a small percentage of their deposits or reserves in a central bank under the direction of the government itself, which would not be subject to speculative loans, but subject only to advances to banking corporations themselves on good collaterals, a bank panic like that of 1907, and like the one against which local banks are now disposed to hoard money for self-protection, could not occur, because the central bank could go to the relief of any bank or banks, in any section of the country, to help them meet emergencies like that now confronting the cotton growing States. The funds of this reserve bank could be used without withdrawing funds from banking centers which themselves would need their reserves. All banks under this plan would concentrate a small part of their deposits in this way, for the purpose of establishing a reserve fund for their mutual protection, and for the general protection of commerce and trade. With such funds in reserve, money could be deposited by the government managers of such bank in the banks of the South to meet an emergency like that we are now dealing with, at specified low rates of interest. The funds in a reserve bank of this kind, necessarily would reduce the surplus carried in each individual bank to the extent that the government required of them. But such a bank would strengthen the whole system of banks, in all sections of the country, and make it impossible to have a bank panic again, for, with the appearance of distress in one section of the

country, the reserve of the whole banking system, or so much as needed, could be brought into use for its relief. Creating such reserve would be using the deposits of the people to protect themselves, and such requirement would not be an unreasonable exaction of the banking corporations created by the government. The national banks carry over six billion dollars of deposits—money that does not belong to them but to the people. If the government were to require that a small per cent of this vast sum be kept with a central bank for use in relieving situations like that which now confronts us here in Texas, three or four hundred million dollars could be easily placed with banks in the South at this time to be advanced on crops at low rates, and thus fully protect the producer in his values, without straining the reserves in the banks themselves for use in the ordinary course of business.

The Bank of Texas.

This is one of the things that the Bank of Texas, as now proposed, would accomplish for this State, in times like these. I have discussed the national system thus far for the purpose of inviting particular attention to what can be accomplished by this State with a central reserve bank for State banks and their customers, in the absence of such facilities by the Federal government. This plan came to my mind in 1907 when we were struggling with the adversities of a bank panic and it is offered now for the purpose of protecting this State against a recurrence of our present and past experience.

State Banking System.

The State banking system was instituted for a public purpose as well as for private gain. It is now proposed to organize a strong central bank by the State of Texas itself, to build up and strengthen the State banks and enable them to fully discharge the functions for which they are chartered by the State, and to do for them what a central reserve bank such as that already discussed, would do for the national system.

One of the results of the bank panic in 1907 was a demand all over the country, for the enactment of a law for the guarantee by the State and nation of bank deposits. This State enacted such a law applicable of course only to State banks under its supervision and control. There was then a great hue and cry

against this course. The national banks opposed it; private banks fought it; great lawyers pleaded its unconstitutionality, but public opinion and public safety demanding the law finally prevailed and the Legislature passed it. It has proven a tower of strength and protection to the banks and to the people. The bank guarantee law is but the requirement of a small contribution from each bank for the creation of a fund which will guarantee security to them all and to their depositors.

Bonds as Reserve.

The plan for creating The Bank of Texas is to utilize the seventeen million eight hundred thousand dollars of gold bonds now in the State Treasury and owned by the State school fund as the basis for the State or the school fund's subscription to the capital stock of the bank, the bank giving therefor bond certificates representing their value, these bond certificates being guaranteed by the bank itself and also by the State. The bond certificates are to draw five per cent interest and this interest is to be paid to the State available school fund, the bond certificates remaining a part of the permanent school fund.

The banks chartered under the laws of this State are required to become subscribers to the capital stock of The Bank of Texas to the extent of 5 per cent of their capital. The whole capital of the bank is made liable for the bond certificates in addition to the State constitutional guarantee. The bonds which it is proposed to use as the State's subscription to the capital of the bank, now earn the available school fund about 4½ per cent, so the State Treasurer advises me.

Cash of the Bank.

The State banks are required to keep one-half of their reserve balances in The Bank of Texas. The average deposits of the State banks at examination periods for the year ending June 30, 1904, were \$75,000,000 in round figures, one-fourth of which, or \$18,750,000, they are required to keep as a reserve. One-half of this sum, or \$9,375,000, under the proposed law creating The Bank of Texas, would have to be deposited with The Bank of Texas. The capital stock of the State banks is above \$34,000,000, and their capital, surplus and undivided profits, is above forty-five million dollars. Five per cent of the stock would give them \$1,700,000 interest in The

Bank of Texas. The proposed law requires the bank guarantee fund shall be kept and deposited with The Bank of Texas. This fund amounts to \$1,800,000. The accounts of escheated estates, blind, deaf and dumb, and insane asylum funds, and other unused funds in the State Treasury, amounting to about \$600,000, are required to be deposited with The Bank of Texas, as is also the current collections and accounts of the Secretary of State and Comptroller and other departments. These amount to an average of \$100,000 to \$500,000 per month. The State available school fund after it is apportioned to the counties by the State Board of Education, is also to be carried in The Bank of Texas, subject to check as the counties and cities need same to pay teachers. This applies only to the State fund, which for the present fiscal year, will amount to a total of nine million dollars. There would probably be an average monthly balance of one million. The special pension fund would likewise be carried in The Bank of Texas subject to the payment of pension warrants of the Treasury. Under existing law, this will average from \$250,000 to \$1,000,000. A summary of these funds show the following total cash assets of the bank which is due to collecting scattered resources of the State, and of the State banks together:

Capital stock by State banks,	
(cash)	\$1,700,000
State bank reserve (cash) ..	9,350,000
State bank guarantee fund ..	1,800,000
Unused Treasury accounts	
(cash balances)	600,000
State school fund balances	
(cash)	750,000
Accounts of State departments	
in course of adjustment	
(cash average)	250,000
<hr/>	
Total available cash	\$14,450,000

This amount of cash would be available by the concentration of part of the cash reserves of the State banks and of various accounts of the State which are now earning practically nothing. All of which would go to strengthen the investment of the school fund's investment in the bank. Can there be any danger to the school fund thus fortified?

Utilize Texas Money for Texas Business.

This large sum of money could be utilized to move the crops or meet any other financial requirements of the State banks, or national banks either, by ad-

vancing to them sums required in trade, but such loans to banks would always be protected by the deposit of their best collaterals. Besides State banks, national banks are permitted by the law, if authorized by national authorities, to become investors in The Bank of Texas and keep their reserves with it. The effect of the bank's establishment would be to furnish a ready supply of money from a concentration of funds belonging to the banks themselves, to meet almost any emergency. The bank would serve a great public purpose in many ways, one of which would be to draw money from reserve centers outside of Texas and protect it for use in this State, just as our insurance laws have kept insurance premiums in Texas for investment and development of the State.

The proposed law makes the State school board an organization committee for the purpose of organizing the bank as outlined.

The Purpose of the Bank.

In addition to furnishing a lucrative investment and employment of a portion of the school fund, and to provide a central reserve bank for the State banking system, and help maintain values in agricultural products, and preserve normal business conditions in the State, The Bank of Texas will provide a fiscal agency for the State, its counties, municipal corporations and all districts heretofore or hereafter created, to the end that the fiscal officers of the State and its various governmental agencies may administer their affairs on a sound financial basis, maintain all warrants at par, find a ready and sufficient market for bonds and other obligations, and furnish an agency of sufficient capital and authority to maintain the financial affairs of the State and its various governmental agencies in a sound and efficient manner.

Increase Income for Schools.

The law already makes provision that the State public school fund through the State Board of Education shall have the prior right to buy all bonds issued by any subdivision of the State government. The proposed law creating The Bank of Texas, carries this idea one step further and makes the bank the fiscal agent of all counties, cities and towns and school districts, road districts, etc., in the sale of bonds.

The Attorney General advises me that during the last two fiscal years his department has approved bond issues of

various kinds, amounting to \$36,257,720, or an average of over eighteen million a year. If The Bank of Texas should underwrite or dispose of an equal amount of such bonds, annually, for the counties and other political subdivisions of the State, not sold to the school fund, say at 1 per cent; there would be an earning from this source alone of \$180,000 per annum. It is safe to say that the municipalities now pay twice that sum to their agents and to bond companies for performing this service. This source of revenue would under the plan of the law creating The Bank of Texas give the school fund an increased income from this source, as well as from others.

By the simple method of concentration of bank reserves we see what a magnificent cash reserve would be created in The Bank of Texas for the public use, and how the income from it would increase the revenues to the available school fund by its judicious use. A bank with fifteen million of cash deposits ought to earn at least 5 per cent on the capital invested above the cost of management, which would be paid to the available school fund for the education of the children of the State. The bonds now earn about 4½ per cent, and by the terms of the bill they would earn 5 per cent.

On this very moderate estimate, the income from the investment of the eighteen million dollars of the permanent school fund would be increased more than 100 per cent, which would go to the benefit of the available school fund, as follows:

Interest on bonds at 5 per cent.	\$900,000
Fiscal agency fees and income from bank earnings, 5 per cent	900,000
Total	\$1,800,000

whereas, the present income from the bonds enumerated or included in the foregoing calculation is about 4½ per cent, or about \$810,000 per annum. The plan, on this estimate, would increase the income from the investment the splendid sum of \$990,000. Any conservative banker will admit the calculation herewith submitted is a conservative estimate.

A Politician's Argument.

Artful politicians are making the argument that the plan will turn the management of the bank over to politicians. The bill as drawn upon this point is directly in line with the Regional Bank Law which seeks to take the manage-

ment entirely out of the hands of politicians and remove it from the effect of politics. The bill provides for nine directors who shall have the control and government of the bank, just as is the case in the Regional Bank Law. Three of these directors are to be appointed or chosen by the State Board of Education, one of whom must be a banker of experience, three are to be chosen by the constitutional elective officers of the State, who are not members of the State Board of Education, to wit: the Attorney General, State Treasurer, Land Commissioner and Lieutenant Governor, and the men so chosen by them are to be men of business ability not connected with any bank; and three of the directors are to be chosen by the State banks and trust companies who are required to invest a part of their capital stock in The Bank of Texas. It is provided that the terms of these directors shall be three years, and that the term of one director of each class shall expire each year. This removes it from politics as far as it is possible under our system of government to do. These directors are required to select a manager and other employes, and the manager of the bank, by the terms of the proposed law, must be a banker of not less than ten years experience.

Safety of the Plan.

Those who inveigh against the security and safety of this plan to justify their opposition on that ground, must also condemn the plan for the management of the regional bank, provided for by Federal enactments. That plan, while it is in almost exact harmony with the plan proposed for The Bank of Texas, provides that the manager of the regional bank shall be appointed from Washington, whereas, we remove The Bank of Texas still further away from the influence of politics by requiring that he shall be chosen by the board of nine directors and shall be a man of ripe experience as a banker.

Under the Federal statute the member banks joining the Regional National Bank must subscribe six per cent of their capital stock to the bank, whereas, the proposed law for the establishment of The Bank of Texas requires the State banks to subscribe only five per cent of their capital to The Bank of Texas.

Honest Servants.

The responsible managers of The Bank

of Texas would all be under bond, in such amount as the board of directors would require as sufficient. These men certainly could be as well trusted as the men who handle the same funds belonging to the member banks, and would be as trustworthy as the Treasury officials of the State and of the State Board of Education. These officials now handle or invest all the funds belonging to the State which the proposed law would require kept in The Bank of Texas. Some of these officials are under bond and others are not. During a period of more than thirty years the Treasury officials of this State have handled millions of dollars without a charge of a single act of dishonesty or defalcation being made against any of them. The State Treasurer, under bond of seventy-five thousand dollars, together with eight or nine clerks, will during the present fiscal year receive and pay out about nine million dollars of State available school fund, and about six million dollars of general revenue, besides the permanent school, asylum, University and orphan home funds, amounting annually to a million and a half dollars more. These figures show that the State Treasurer now handles, or will handle during the present fiscal year, more than sixteen million dollars. The present splendid official at the head of the Treasury Department advises me that for the fiscal year ending August 31, 1914, the average cash balances in the Treasury to the credit of all funds, was \$1,675,718. This balance, under the proposed law, would be carried in The Bank of Texas, which as a matter of fact would use the State Treasury vaults and offices as its place of business, and besides the non-political board of directors and managers in charge, would have the supervision of the State Treasurer and the Banking Commissioner too.

The Depository Law.

The proposed law for the creation of The Bank of Texas would do away with the State Depository Law, by which the State Treasury now has \$800,000 of the State's money deposited in various banks in the State, for which the depository banks pay about 4 per cent. It is natural that these banks should use their influence to defeat the bill creating The Bank of Texas, but these funds would then be placed in that institution for use and made available and subject to loan to any bank offering good collateral for its use, at five per

cent. When the State Depository Law was enacted, it was for the purpose of putting idle money to profitable use. It was a common-sense good business proposition, and we didn't hear any argument from bankers about politics entering into the making of these deposits, nor any objection to it being done.

We now propose another common-sense business proposition for the purpose of using the dormant securities belonging to the school fund as the basis for a great bank that will utilize all idle funds of the State, and of the State banks, for the use of the people in times of sore need, and in the ordinary course of business, for the profit of the school fund, as well as the State banks and the people. We are simply taking the "buried talent" that has been unproductive in their use, except the meagre interest they bear, and utilizing them, precisely on the same basis that the government of the United States utilizes its own bonds as the basis for national bank notes which circulate the world over as money. The plan is identical, and just as sound, and just as safe.

Idle Foolishness.

It is idle foolishness to say, that as safe-guarded in the proposed law, the investment will not be safe, for the officers of the bank will be under bond, the bonds will be an investment of the bank, and the whole capital and resources of the bank will be liable for the payment of the interest and principal of the bonds as represented by the bond certificates. The State, besides, will control and manage the bank through the non-political board of directors, and the State, by the terms of our Constitution, stands behind the investment with its guarantee. In addition, the capital stock, surplus, profits and resources of the State banks will be behind and back up the investment, which resources now amount to one hundred and twenty-five million dollars. Besides, the people will be behind the bank, for they will look to it for, and it will give them relief from the terrible failures of the national system in times of panic. It will keep millions of Texas money now on deposit in New York and other cities at home in Texas for loan and investment at low rates of interest in times of normal conditions.

Legislative Power.

The Legislature has ample power to direct this investment. The Constitu-

tion (Article 7, Section 5) defines what constitutes the permanent school fund. It also defines what shall constitute the available school fund.

The people of Texas, in the face of the argument made against "diverting" the "sacred school fund," in 1891, adopted an amendment to the Constitution which authorizes the State Legislature to annually "divert" one per cent of the permanent fund, and appropriate same for available school purposes.

The same article of the Constitution prohibits the diversion of the permanent or the available school fund to any purpose whatsoever except for investment and use for public school purposes. The provision does not, as contended by the enemies of The Bank of Texas, propose a diversion either of the permanent or available school fund from this purpose. It is proposed, only, to utilize the fund for further and more profitable use and investment, for the benefit of the schools, and for the further laudible public purpose of furnishing the means of protecting the people of the State generally against ruinous conditions such as we are now contending with.

Investment of School Funds.

The Constitution (Article 7, Section 4) provides for the sale of the lands set apart for the public school fund, on "such regulations, at such times, and on such terms as may be prescribed by law." If there ever has been a "diversion of school funds" the most flagrant, and resulting in the greatest loss, has been the manner of disposing of the public lands belonging to the school fund. No money has been lost to the school fund since the adoption of the present Constitution through any investment by the State Board of Education, authorized by the Legislature. But there has been millions of loss and waste to that fund on account of the manner in which the school lands have been gobbled up. Timber lands in East Texas worth perhaps a hundred million dollars, are now held by individuals and corporations, that were sold "for a song" under special enactments of the Legislature. What is said of the timber lands belonging to the school fund will apply with equal force to the splendid lands in the agricultural sections of the State, in some instances held in large tracts, and bought from "bonus men" who had squatted on the land as "actual settlers." Men who have had part in these diversions of values in the school

lands should never be heard to complain of the present effort to invest a part of this fund in a way which will relieve public distress, and result in increased income from its investment for public education.

Character of Securities.

But Section 4 of Article 7 of the Constitution as amended in 1883, enlarged the list of securities in which money from the sale of lands, the permanent fund, could be invested, naming in addition to United States and State bonds, county bonds, "or in such other securities and under such restrictions as may be prescribed by law; and the State shall be responsible for all investments." This amendment of 1883 did three things, to wit: (1) Enlarged the named list of securities in which the school fund may be invested; (2) enlarged the discretion of the Legislature and authorized it to prescribe securities; and (3) made the State responsible for all investments, thus giving the State's guarantee.

The original Section 4 in the Constitution of 1876, did not make the State responsible for school fund investments. That was a valuable amendment for which I had the pleasure of casting my first vote.

The opponents to the establishment of The Bank of Texas urge with much distress the fact that before the Civil War the State loaned the Houston and Texas Central Railroad Company some of the school funds, taking their bonds therefor, and that as a result of litigation the State school fund lost something over \$800,000, which has not been made good under the amendment of 1883 requiring the State to become "responsible for all investments."

The Exigencies of War.

No thoughtful man should give a particle of weight to this argument as a valid one against the pending proposition, for two reasons: First, the transaction referred to took place before the Civil War and soon after Texas joined the American Union. She was paying cash bonuses, and land bonuses, to encourage railroad building, and other internal improvements. The Constitution at that time did not make the State responsible for investments of the school fund. Second, the State seceded and issued its obligations during a time of war to meet its financial requirements, and the Houston and Texas Central

Railroad Company at a time when these obligations of the State were valid (according to the Supreme Court) acquired and tendered them as an offset to the loan advanced. In times of war nothing is "sacred," as we all have heard the statement that "war is hell."

War in Europe has shown conclusively that we have not made adequate provision for taking care of ourselves in times of peace, even with the country literally flowing with milk and honey. Some of us are trying now to guard against this unpreparedness in the future, by arranging to conserve our own wealth and thereby protect values. These things we are not going to think of or do, it seems, except in emergencies, with "necessity" as our schoolmaster.

For our efforts, selfish interests and their friends, raise a howl about the sacred school fund, and talk about turning them and The Bank of Texas over to politicians who are untrustworthy. But it is all right, our critics think, to deposit the funds belonging to the sacred school fund in national and State banks to be used for their profit.

"Twice treble shame on Angelo,
To weed my vice and let his grow."

But if we will go forward, heeding not the selfish interests that oppose it, and establish The Bank of Texas, we will emancipate this State from the thralldom of an unresponsive banking system which controls the money supply of the country.

The Bank of Texas will be "as a light set upon a hill" as an example for other States.

The Forces of Opposition.

In my message to the Legislature upon this subject when it was first presented to you on the 15th instant, the following statement was made:

"In presenting to you this subject of legislation, I am not unmindful of the objections which will be urged against it, nor do I underestimate the influence of the forces that will oppose its passage. Nevertheless, it is a question which calls for action at this time, and the very inertness which gives rise to its presentation shows the necessity for the measure."

I fully realized then, and know now, the influence that will oppose the creation of The Bank of Texas. But the friends of the measure are in the right in wanting to do something to prevent the waste of values these same influences are permitting, if not encouraging.

It is proposed to use eighteen million of solvent securities as part of the operating capital that belongs to the school fund. These bonds are gilt edge securities, most of them. Many of them draw only three per cent interest. But they represent value and are sound credits, that are dormant except for the small rate of interest they bring to the available school fund. It is proposed to utilize them to increase that income and help save the wasting values of the products of the people. With their safe use the State banks could secure and utilize many millions of cash to advance on cotton that are not now available or obtainable. If The Bank of Texas was in operation and co-operation with the State banks, and national banks too, who wanted to use its strength, it could materially aid in maintaining the values of cotton to something near its intrinsic worth, whereas, the prospect before us is, that because of the lack of a strong backing of this kind, there will be a loss of from fifteen to twenty dollars per bale on cotton, because it will be sold under "distressed" conditions. Fifteen dollars loss per bale means nearly seventy million dollars loss on the value of the farmers' cotton. Is not this enormous value worth an effort to save? Eighteen million of securities buttressed and strengthened by fifteen or twenty million in cash, and much more which would be available by the use of credits, would save a large portion of this immense prospective loss. "But this effort shall not be made by the proposed investment of the 'sacred school fund' in establishing The Bank of Texas," say the "system" opposing it and their allied politicians. These have formed an alliance to defeat the proposed relief. The "sacred school fund" argument reveals the "wolf in sheep's clothing." "This bill must be defeated," is the message that has gone forth. "Silver tongued orators" and pliant politicians have "heard the master's voice and will obey" to the extent of their adroitness and ability. Meetings are to be called and orations delivered over the "sacred fund." It must be saved even though the children to whom it belongs starve for bread. The tocsin of war will be sounded every morning, noon and night, in the daily newspapers. "Oh, my bleeding, starving countrymen," the political avenger will cry, "give us the 'sacred fund' or give us death!" And the powers that be will give loud hand-clappings of approval, for they are not averse to giving

the people both, in the present emergency.

Reserves of State Banks.

But there is no good reason, in my judgment, why opposition to the proposed bank should come from other banks. It certainly would furnish new currency resources, and aid banks in the State, State and national, to carry forward their commercial obligations to the people, and to the communities which they form a part.

The State banks, certainly would be greatly benefited and strengthened. It would, by the terms of the law creating it, take some of the reserve of State banks out of national and State banks in the cities of the State. But a slight loss to these banks in deposits would be a great help to the banking system of the State generally.

A statement compiled by the Commissioner of Banking from the reports of State banks of their condition September 12th, instant, shows that the State banks had with fifty-six national and State banks reserves to the amount of \$7,391,390.36. Of this sum only \$750,964.88 were in eleven State banks in the nine cities, and the balance, or \$6,640,425.48 was with forty-four national banks in the same nine cities of the State. Most of this money would come to The Bank of Texas, though, and may account for the active opposition of banks in the cities of the State to the proposed central bank of the State.

Public Corporation.

For a time there was some argument against the bank on the ground that the Constitution requires that all private corporations be chartered by general law, and that the proposed law would seek to incorporate the bank by special law.

On the contrary, the bank would be a public corporation, created for a public purpose, its public purpose being declared by the act of the Legislature itself, and its public nature being apparent.

The fact that the State banks are required to become subscribers to the bank's stock does not alter the public character of the corporation, for, the State banks themselves are creatures of the State to meet a public requirement. The shares of stock in the State chartered banks are subscribed for and held by the individual, and are taxed at the situs of the corporation in the name of the holder of shares.

While the capital of the State bank is divided into shares and the corporation as such is responsible to the shareholders, still the whole capital of the bank is nevertheless one person, although an artificial one, created for a general purpose and being the creature of the State, can be required to subscribe to the stock of The Bank of Texas without changing the public character of the latter.

The fact that the stock of The Bank of Texas is exempt from taxation does not violate the taxing articles of the Constitution because the State requires its creature to contribute a part of its capital stock for the public requirements and public purposes set out in the act creating the proposed Bank of Texas. The capital stock of the State bank is taxed once at the situs of the bank according to the shares held by each stockholder in the name of the stockholder. The fact that the law would entitle the member bank holding an interest in The Bank of Texas to share profits answers any contention that might be offered that the act sought to appropriate corporate capital of the State bank for public purposes. Besides, the State has the power to prescribe the conditions under which such a corporation may continue to enjoy the rights, privileges and emoluments conferred upon it by law.

These constitutional questions will be discussed at more length, however, and with more lucidness and with better ability than I would pretend to do by the Attorney General, and I will send his opinion of this and other questions to you with this message.

Aldrich-Vreeland Act.

The Aldrich-Vreeland act was passed in 1908. It was inspired by the bank panic of 1907. In the period of distress in 1907, the banks all over the country, in cities, got together by clearing houses and pooled issues for mutual protection against runs by depositors.

The Aldrich-Vreeland act provided that national banks, ten or more in number, might form currency associations, and upon the filing of a certificate to that effect with the Secretary of the Treasury, should become a body corporate, but limiting the currency associations to one in any city. Such currency associations were permitted to join the "national currency association." The organization of these "currency associations" was provided for to meet emergencies by increasing the circulating notes of banks, which was not there-

before permitted. Section one provides that upon the deposit of State, county, city or other municipal bonds with the national currency association, the bank so depositing such bonds should have the right to issue bank notes against them to the extent of 90 per cent of the face value of bonds. The act limited the issuance of circulating notes based on commercial paper to 30 per cent of its unimpaired capital and surplus.

The law makes the banks and assets of all the banks belonging to the currency association, jointly and severally liable to the United States for the redemption of such additional circulation.

Other Requirements and Benefits.

But after the passing of the panic of 1907 very little use was made of the Aldrich-Vreeland act, especially in this State. By the terms of the act, the law expired by limitation June 30, 1914. Section 27 of the Regional Bank Act revived the provisions of the Aldrich-Vreeland act, but by the terms of said section, expires by limitation June 30, 1915. The Aldrich-Vreeland act was further amended by an act approved August 4, 1914. This amendment permits banks who are members of currency associations to issue emergency currency upon the deposit of specified bonds in the amount of 125 per cent of the unimpaired capital and stock of the bank, and 30 per cent of emergency currency upon commercial paper deposited. The currency is taxed at the rate of 3 per cent per annum on this emergency currency for the first three months it is outstanding and at the rate $\frac{1}{2}$ of 1 per cent per annum for each month until a tax of 6 per cent per annum is reached on the average of notes outstanding. The Secretary of the Treasury is given authority to authorize State banks to join the currency associations within fifteen days after the passage of the act and receive the benefits of the amendment to the Aldrich-Vreeland act. A further amendment to this act is now pending in the Congress of the United States, with favorable report on Senate bill with amendments, which will permit the issuance of 75 per cent of the unimpaired capital and surplus of national and State banks based upon commercial paper. It is provided that the benefits of the act, except the provision authorizing the issuance of emergency currency, shall be extended to all State banks that are eligible.

Federal Reserve Act.

The Federal Reserve Act establishing Federal reserve banks, makes provision in Section 9 for State banks and trust companies becoming members of Federal regional banks, under such rules and regulations as the Federal reserve board may prescribe. Section 16 of the Federal Reserve Act provides that "any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes, which the Federal reserve bank is authorized to issue, as it may require." Such application, it is provided, "shall be accompanied with a tender to the local reserve agent of collateral in amount equal to the sum of Federal reserve notes thus applied for and issued pursuant to such application."

Thus we find that, if The Bank of Texas joined the Regional bank system, The Bank of Texas could take its eighteen million dollars worth of bonds and deposit them with the Federal reserve agent, and get eighteen million dollars in Federal reserve notes, in emergencies, or so much thereof as permitted by the law under normal conditions, which are good for all dues in the United States. This further answers the question: "Where would The Bank of Texas get money to operate upon?" The answer is simple, and the supply of currency would be elastic and sufficient.

With \$18,000,000 of bonds, and \$15,000,000 of money gathered together which is now largely scattered and non-productive, The Bank of Texas would easily have resources equivalent to \$33,000,000. What an enormous help such an institution would be now "midst the Winter of our discontent!"

The proposition I have submitted to you, gentlemen of the Legislature, is eminently practical, a monument of strength and safety for the school fund investment, and promises financial emancipation of the State, increased earnings for the available school fund, and will give financial relief to the hundreds of thousands of our wealth producers. Besides, it will be able to prevent stagnation in business, will help move the crops and conserve their values, and in times of need will be a source of great help to all the banks in Texas—State and national—to those in the cities as well as those in the country.

The Greatest Accomplishment.

The greatest accomplishment, so far, of President Wilson's administration, is

the enactment of the Regional bank law. But we all remember how bitterly the proposition was opposed by the banks, even here in Texas. It is not new, therefore, for the banks to fight any improvements that may be proposed to our banking and currency system.

The Regional bank law provides a way, and requires it to be followed, for concentrating bank reserves closer to the banks that create and control them, and takes away a part of the monopoly New York has enjoyed during all these years of the control of bank reserves.

The Regional bank law provides that municipal bonds may be deposited with the reserve agent, and United States notes or currency will be issued on them at face value. These bank notes will pay a tax to the government of 1 per cent, just as national bank notes do now. This feature will make all municipal bonds in Texas more desirable as an investment for Texas banks. The purpose of the provision is to bring such bonds into active use as a basis for circulation, upon the same theory that United States bonds are now used, for they represent public faith and the taxes levied against property and collected, are pledged to pay the interest and principal of the bonds.

With The Bank of Texas in operation, all these bonds could be purchased at home and the interest on them kept here and not be sent away. In times of need like these they could be used and would be used, to secure United States currency as explained, to move our crops and maintain their values—the public credits would be vitalized and become as circulating medium to help save values that are now being lost.

Effect on State Banks.

State banks of \$25,000 capital and surplus as required, will be permitted to take stock in the regional bank, but one-half of the State banks in Texas, or more, can not meet the requirements, and therefore would not be eligible as stockholders in the regional bank. Those that are eligible will have to subscribe 6 per cent of their capital to become members of the regional bank, whereas, the proposed Bank of Texas would require 5 per cent. It is probable that most of the State banks eligible to join the regional reserve bank will surrender their State charters and nationalize, if the State does not provide for a strong central reserve bank such as is proposed. The Bank of Texas by the terms of the proposed law, is limited in the interest

charges it can make on loans of money to 6 per cent as a maximum. If The Bank of Texas is created, it would be unnecessary for any of the State banks to become members of the national regional reserve bank—The Bank of Texas becoming a member would answer the needs of all the 868 State banks and trust companies, which would work a saving to the State banks.

I respectfully solicit a fair and just consideration of the subject I have submitted to you, on its merits. It deserves this even at the hands of its enemies, for it is presented for the public good. If justly considered, even by those who oppose it now, they will see the safety and security it offers to the school fund, and the benefits it will bring to the public.

A fair consideration of the measure will show that its merits, and its safety, far outweigh the sentimental objections offered against it.

Respectfully,
O. B. COLQUITT,
Governor of Texas.

ADJOURNMENT.

On motion of Senator McNealus, the Senate, at 3:45 o'clock p. m., adjourned until 2 o'clock tomorrow afternoon.

APPENDIX.

PETITIONS AND MEMORIALS.

Senator McGregor presented a petition from citizens of Fort Bend county, numerous signed, and which was requesting adverse action by the Legislature on The Bank of Texas legislation. The petition was in response to a mass meeting of citizens held at Sugarland.

Senator Terrell presented a letter from D. R. Criswell, at Buckholts opposing the bank bill and giving notice of a petition from the citizens of that place.

Senator Astin presented a petition, numerous signed by citizens of Bryan, protesting against the passage of the bank bill.

Senator Hudspeth presented a petition addressed to the Governor, from numerous citizens of Kilgore, Gregg county, favoring the bank bill.

COMMITTEE REPORTS.

Committee Room,
Austin, Texas, September 29, 1914.

Hon. W. C. Morrow, President Pro Tem. of the Senate.

Sir: Your Finance Committee, to whom was referred

S. B. No. 2, A bill to be entitled "An Act making appropriation to pay the per diem of members, officers and employes of the Third Called Session of the Thirty-third Legislature of the State of Texas, convened September 23, 1914, by proclamation of the Governor, providing how accounts may be approved, and declaring an emergency."

Have had the same under consideration and beg to report the same back to the Senate with the recommendation that it do pass, and be not printed.

WILLACY, Chairman.

Committee Room,
Austin, Texas, September 29, 1914.

Hon. W. C. Morrow, President Pro Tem. of the Senate.

Sir: Your Finance Committee, to whom was referred

S. B. No. 3, A bill to be entitled "An Act making appropriation of the sum of twelve thousand dollars, or so much thereof as may be necessary to pay the contingent expenses of the Third Called Session of the Thirty-third Legislature of the State of Texas, convened September 23, 1914, by the proclamation of the Governor; providing how accounts may be approved and declaring an emergency."

Have had the same under consideration and beg to report the same back to the Senate with the recommendation that it do pass, and be not printed.

WILLACY, Chairman.

Committee Room,
Austin, Texas, September 29, 1914.

Hon. W. C. Morrow, President Pro Tem. of the Senate.

Sir: Your Committee on Engrossed Bills have carefully compared Senate bill No. 2, and find same correctly engrossed.

TERRELL, Acting Chairman.

Committee Room,
Austin, Texas, September 29, 1914.

Hon. W. C. Morrow, President Pro Tem. of the Senate.

Sir: Your Committee on Engrossed

Bills have carefully compared Senate bill No. 3, and find same correctly engrossed.

TERRELL, Acting Chairman.

SIXTH DAY.

Senate Chamber,
Austin, Texas,

Wednesday, September 30, 1914.

The Senate met pursuant to adjournment, and was called to order by President Pro Tem. Morrow.

Roll call, no quorum present, the following Senators answering to their names:

Astin.	McNealus.
Bailey of DeWitt.	Morrow.
Collins.	Nugent.
Conner.	Real.
Gibson.	Terrell.
Greer.	Townsend.
Johnson.	Watson.
Lattimore.	Westbrook.
McGregor.	Wiley.

Absent.

Bailey of Harris.	Harley.
Brelsford.	Henderson.
Clark.	Hudspeth.
Cowell.	Taylor.
Darwin.	Warren.
Hall.	Willacy.

Absent—Excused.

Carter.

Senator McNealus moved that the Senate adjourn until 10 o'clock tomorrow morning, which motion was lost.

On motion of Senator Terrell the Senate was at ease until 2:30 o'clock today.

At 2:30 o'clock the Senate was called to order by President Pro Tem. Morrow, the roll was called, a quorum being present, the following Senators answering to their names:

Astin.	McGregor.
Bailey of DeWitt.	McNealus.
Bailey of Harris.	Morrow.
Collins.	Nugent.
Conner.	Real.
Cowell.	Taylor.
Darwin.	Terrell.
Greer.	Townsend.
Harley.	Watson.
Johnsqn.	Westbrook.
Lattimore.	Wiley.

Absent.

Brelsford. Clark.

Gibson.	Hudspeth.
Hall.	Warren.
Henderson.	Willacy.

Absent—Excused.

Carter.

Prayer by the Chaplain.

Pending the reading of the Journal of yesterday, on motion of Senator Taylor the same was dispensed with.

MESSAGE FROM THE GOVERNOR.

Here the following message from the Governor was read. Another message from the Governor was also received but not laid before the Senate at this time.

Governor's Office,

Austin, Texas, September 30, 1914.

To the Senate:

I hereby ask the advice and consent of the Senate to the appointment of Mr. Orvil G. Franz, of San Antonio, to be notary public in and for Bexar county, Texas.

I beg to say for the information of the Senate that other names will be sent later. The Senator from Bexar advises me that Mr. Franz's present employment depends upon his early confirmation, hence I am sending this message to you at this time to accommodate the Senator from Bexar and Mr. Franz.

Respectfully submitted,

O. B. COLQUITT,

Governor.

(Senator Bailey of DeWitt in the chair.)

EXECUTIVE SESSION.

Senator Real moved that the Senate go into executive session at once for the purpose of considering the above appointment.

The motion was unanimously adopted.

In executive session, the following confirmation was made, as reported to the Journal Clerk by the Secretary.

To be notary public for Bexar county: Orvil G. Franz.

IN THE SENATE.

(Senator Bailey of DeWitt in the chair.)